Bidders invited for P252-million EDSA Busway station rehabilitation


PHILIPPINE STAR/MIGUEL DE GUZMAN

THE Department of Transportation (DoTr) has issued an invitation to bidders for the design and development of the EDSA Busway stations rehabilitation phase 1 project.

The project is valued at P252.80 million.

In the bid invitation, the DoTr Bids and Awards Committee for Road Transport and Infrastructure set May 19 as the deadline for submissions.

The winning bidder will be given one year to complete the project, the DoTr said.

The DoTr has said the planned privatization for the EDSA Busway project is currently on hold as the agency plans to focus on improving the busway system first before tapping the private sector for its operation.

In February, the DoTr said it will fund the upgrades from its own resources.

The DoTr said the feasibility study for the EDSA Busway project is expected to be completed within the year pending finalization of the terms of reference by its consultant.

The privatization is now expected to take place by 2026.

The EDSA Busway Project initially involved the financing, design, construction, procurement of low-carbon buses, route planning, and operations and maintenance of the busway, according to the Public-Private Partnership Center. — **Ashley Erika O. Jose**

Data center projects targeted to enable more infotech activity

INVESTMENT promotion agencies (IPAs) are looking to register more data center projects, saying that such infrastructure will enable more information technology (IT)-related activities.

"Data centers and telecommunications infrastructure are on the list of Board of Investments (BoI) priority sectors along with renewable energy, electric vehicles, and green metals," BoI Director for Infrastructure and Services Industries Service Mary Ann E. Raganit told reporters on Wednesday.

So far, the BoI has approved the registration of four data center projects, which have a total project cost of P40.14 billion and 81 megawatts (MW) of IT load capacity.

These include the recently launched VITRO Sta. Rosa, the country's first hyperscale data center equipped to support artificial intelligence workloads.

Located in Sta. Rosa, Laguna, the 50-MW data center is being developed by VITRO, Inc., a subsidiary of ePLDT.


PHILIPPINE STAR/EDD GUMBAN

COMELEC CHAIRMAN George Erwin Garcia and other members of the Commission En Banc Comelec Senior Officials led the Technical Walkthrough of Data Center 3 located at Ayala Circuit, Makati City.

"Next management committee (meeting), I will present the two data center projects of Globe STT GDC, Inc., which are in Fairview and Cavite," she added.

According to the BoI, Globe STT GDC is applying as an operator of telecommunication infrastructure under Tier I of the 2022 Strategic Investment Priority Plan.

The application covers the company's STT Cavite 2 Data Center, which has a 6 MW capacity and 916 racks, and STT Fairview 1 Data Center, which has a 28 MW capacity and 4,200 racks.

According to Globe Telecom, Inc., the projects will be ready for service within the year.

Meanwhile, the Philippine Economic Zone Authority (PEZA) is also registering data center projects.

To date, PEZA has registered four data center projects involving P3.96 billion worth of investment.

These projects are Accenture, Inc., Alorica Teleservices, Inc., Foundever Asia, Inc., and YCO Cloud Malvar, Inc.

PEZA Director General Tereso O. Panga said that he is also looking forward to the registration of a data center project from a US firm.

"It is a priority sector because if you invite data storage facilities, that will invite more IT companies that require a lot of storage," he said in an interview.

"So, it will be a plus to the Philippines especially for economic sources as we will attract more information technology and business process management-related activities," he added. — **Justine Irish D. Tabile**

K-Water to develop smart water systems for BCDA properties in Baguio, La Union

THE Bases Conversion and Development Authority (BCDA) said it tapped Korea Water Resources Corp. (K-Water) to develop the smart water management systems in Camp John Hay in Baguio City and Poro Point, La Union.

"K-Water is the ideal partner to address the critical water management challenges we face in the revitalization of Camp John Hay and the continued development of Poro Point," BCDA President Joshua M. Bingcang said in a statement on Wednesday.

"By partnering with K-Water, we are embarking on a transformative journey that will drastically reduce water loss and establish artificial intelligence (AI)-powered water purification plants that will ensure a stable and high-quality water supply for the communities we serve," he added.

The BCDA said it signed memoranda of understanding (MoU) with the Korean firm and John Hay Management Corp. and Poro Point Management Corp.

"Under the agreements, K-Water will contribute its extensive expertise and proven track record in water resources development, management, and cutting-edge smart water technology," the BCDA said.

"The project will commence with the deployment of experts to assess existing infrastructure and develop a strategic implementation plan," the BCDA said.

Besides addressing water management challenges due to climate change, the MoUs are also expected to help the BCDA focus on "diagnosing and improving water supply stability, investigating new water resources, reducing leakage, and sharing knowledge in the water sector."

K-Water is also BCDA's partner on water resource development in New Clark City. Under which, the Korean firm has conducted feasibility studies for a comprehensive water management plan within the development. — **Justine Irish D. Tabile**

First Circle offers business accounts for SMEs with unlimited money transfers


FREEPIK

FINANCING COMPANY First Circle said it is offering business bank accounts for small and medium enterprises (SMEs) in partnership with Netbank.

The account offers no fees, limitless money transfers for SMEs, and requires no maintaining balance.

Users can schedule payments, make batch payments, scan and store digital checks.

"These products are not designed for monetization — we want SMEs to use them for free, give us feedback, and help us shape financing and smart banking solutions that truly reflects their needs," First Circle Chief Investment Officer Chris Burgess said in a statement on Wednesday.

"Every product we design is digital, instant, and created to move as fast as your business. For the past nine years our goal has always been the same: to drive economic growth by pairing SMEs with the financial services they deserve," he said.

"All transactions use InstaPay and are made in real time within a seamless and paperless digital environment, with all deposits insured by the PDIC (Philippine Deposit Insurance Corp.)," First Circle said.

The company also launched a Solar Financing facility for SMEs in partnership with Netsolar.

"First Circle and Netsolar cover the feasibility, permitting, installation, servicing, and insurance of rooftop solar panels for interested clients. The panels can be owned (within) 8-12 years; until then, clients will only have to pay a small, fixed monthly rate for panel maintenance and insurance," it said.

The company is also adding Business Credit Line Plus, which offers SMEs loan terms of up to two years with interest rates starting at 1.49%, and an Express Business Loan, which provides bridge financing approvable and disbursable in one day with no paperwork or collateral required.

"SMEs can apply for First Circle's Business Banking Account, Solar Financing, Business Credit Lines, and Express Business Loan at firstcircle.ph," the company said. — **Aaron Michael C. Sy**

OPINION

Beyond paychecks: The dilemma of employee reimbursements

TAXWISE OR OTHERWISE
STEVEN LLOYD CO

Employees sometimes incur business expenses during the course of their work, including travel, meals, lodging, and other business-related costs. While reimbursements seem straightforward, they carry tax implications that must be managed carefully. Businesses must be aware of these implications to mitigate potential tax risks and avoid reducing the net take home pay of their employees, who are merely performing their duties in the pursuit of their employer's business.

As a rule, fixed or variable transportation, representation and other allowances which are received by an employee, in addition to the regular compensation fixed for his position, are generally treated as compensation subject to withholding taxes. However, certain amounts are not considered compensation (and therefore, not subject to withholding taxes). These are advances or reimbursements for traveling, representation and other bona fide ordinary and necessary expenses incurred or reasonably expected to be incurred by the employee in the performance of his duties. Specifically, the following conditions must be satisfied:

1. It is for ordinary and necessary expenses paid or incurred by the employee **in the pursuit of the employer's trade, business or profession**; and

2. The employee is **required to liquidate/account for the expenses** in accordance with the requirements for substantiation under the Tax Code. Any excess advances made which are not properly liquidated constitute taxable income if such amount is not returned to the employer.

Hence, if a business provides monthly allowances or advances to its employees in cash, and they are not required to liquidate or account for the funds received, this may be viewed as compensation subject to withholding tax. It should be noted though that the rules provide an exception: reasonable amounts of reimbursements/advances for traveling and entertainment expenses which are pre-computed on a daily basis and are paid to an employee while he is on an assignment or duty are not required to be substantiated and are not subject to Withholding Tax on Compensation (WTC).

WHAT'S THE DILEMMA, THEN?

During a tax investigation, the BIR typically compares the taxpayer's expense accounts on its books with its filed tax returns and review the sufficiency of supporting documents related to claimed expenses. Employers usually do not treat reimbursements to their employees as compensation subject to WTC. However, unless employers are able to prove with valid documentation that such reimbursements are valid business expenses, there may be a challenge in resolving this issue during an audit.

Even if the hurdle of WTC is cleared, the expenses may still be flagged as subject to Expanded Withholding Tax (EWT), particularly for employers which are classified as a top withholding agent. As most know, a top withholding agent is required to withhold 1% tax on goods or 2% tax on services purchased from regular domestic suppliers. However, in most cases, the employees are not in a position to withhold EWT when directly paying a supplier. Suppliers would not agree to the withholding unless a withholding tax certificate can be provided on the spot, which the employee may not be authorized or equipped to provide. To avoid incurring penalties (i.e., interest, compromise penalties) during an audit, in cases where there was failure to withhold the EWT, some employers opt to gross-up the transaction amounts to pay off the EWT supposedly due on the transactions, which results in additional costs.

As if the above is not enough, if the documentation requirement is not fully complied with, such as when the invoices are not in the name of the employer, these expenses may also be disallowed as expenses for income tax and as input VAT credits.

Clearly, there is a lot at stake, especially for businesses which heavily rely on employee reimbursements to account for expenses used in business.

WHAT SHOULD BE DONE?

For WTC purposes, employers must establish the business purpose of these reimbursements with the appropriate documents, i.e., supplier invoices that are issued to the company, to prove that these should not be subject to WTC. Putting up internal policies specifying the conditions to avail of such employee reimbursements and/or allowances would help during a tax audit and also help business managers who review the reimbursement reports to ensure that only valid reimbursements are granted.

As for EWT, employers may consider using company-issued credit cards for employee reimbursements. In line with the tax rules, the employers' payments to suppliers are not subject to withholding tax if paid through a credit card. This is because the EWT obligation on the supplier income is shifted to the credit card companies who have control of the payment to the suppliers. Instead, the taxpayer/employer's withholding tax obligation is limited to the 2% EWT due on the service fees and other charges imposed by the credit card company. This approach helps alleviate the burden on the employer of assessing the applicable EWT for each and every reimbursement transaction or grossing up the expenses to account for the additional EWT (which inevitably results in additional cash outlay).

Last, in terms of substantiation requirements for income tax and VAT purposes, employers may provide their employees with a handy reference guide that can be presented to suppliers whenever a purchase is made. The guide should include the following information of the employer which the supplier would then use to issue the invoice: (1) Full business name; (2) Complete address; and (3) Tax Identification Number (TIN). Employees should ensure that they receive BIR-registered invoices and that the VAT amount is specifically broken down to support the company's tax/VAT reporting.

Employee reimbursements can be tricky, to say the least. While reimbursements help facilitate business-related expenses, these can come with tax exposures if not managed properly. With the ever-changing tax rules and specific compliance requirements, it is crucial to stay informed and be meticulous with the documentation to avoid running into pitfalls. By doing so, businesses can mitigate risks, improve tax efficiency, and optimize cash flows, which can lead to a stronger financial position moving forward.

The views or opinions expressed in this article are solely those of the author and do not necessarily represent those of Isla Lipana & Co. The content is for general information purposes only and should not be used as a substitute for specific advice.

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